

Message Text

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ORIGIN EA-10

INFO OCT-01 ISO-00 OPIC-03 EB-04 COME-00 TRSE-00 NSC-05

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DRAFTED BY EA/ROC:KJWEAVER:ARCK

APPROVED BY EA:LEEDMOND

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FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI

INFO AMCONSUL HONG KONG

USLO PEKING

C O N F I D E N T I A L STATE 233457

E.O. 11652:GDS

TAGS: ENRG, OPIC, TW

SUBJECT: OPIC INSURANCE FOR CONOCO OFFSHORE DRILLING

EQUIPMENT: EDMOND/WONG MEETING

1. IN CONNECTION WITH THE RECENT DISCOVERY OF GAS BY THE CONOCO/AMOCO/CPC CONSORTIUM, OPIC HAS BEEN APPROACHED BY CONOCO OFFICIALS WITH A REQUEST FOR INSURANCE ON ITS "TANGIBLE MOVEABLE ASSETS" ON BOTH LAND AND SEA. OPIC AGREED TO INSURE ONSHORE FACILITIES AND EQUIPMENT IN KAOHSIWNG BUT REFUSED PROTECTION FOR OFFSHORE ASSETS ON GROUNDS THAT IT DOES NOT INSURE OPERATIONS IN DISPUTED WATERS. CONOCO OFFICIALS TOLD OPIC THAT THEY ARE BEING HEAVILY PRESSURED BY CHINESE OFFICIALS ON TAIWAN TO PROCEED WITH EXPLOITATION OF THE GAS FIELD. WE ARE TRANSMITTING SEPARATELY A RECORD OF RECENT CONVERSATIONS BETWEEN OPIC AND CONOCO.

2. AT HIS REQUEST, ROC EMBASSY ECONOMIC MINISTER MARTIN WONG CALLED ON EA DEPUTY ASSISTANT SECRETARY EDMOND ON OCTOBER 22 TO DISCUSS OPIC'S REFUSAL TO INSURE THE OFF-
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SHORE PORTION OF THE CONSORTIUM'S CONTEMPLATED DEVELOP-

MENT FACILITIES. MINISTER WONG ARGUED THAT (1) OPIC ALREADY HAS CONSIDERABLE EXPOSURE ON TAIWAN AND (2) THAT DEVELOPMENT OF THE GAS FIELD WILL RELIEVE WORLD-WIDE ENERGY PRESSURES. HE ESTIMATED THAT GAS DEPOSITS WOULD BE

SUFFICIENT FOR ANNUAL DOMESTIC NEEDS FOR 30-50 YEARS WITH AN EXCESS AVAILABLE FOR PROCESSING INTO LNG FOR EXPORT. WONG REQUESTED THE DEPARTMENT'S CLEARANCE FOR THE EXTENSION OF OPIC GUARANTEES FOR THE CONSORTIUM'S OFFSHORE ASSETS AND EXPRESSED HIS HOPE THAT OUR REPLY COULD BE GIVEN TO MINISTER OF ECONOMIC AFFAIRS Y.S. SUN DURING HIS MEETING WITH THE DEPUTY SECRETARY ON OCTOBER 30.

3. DEPUTY ASSISTANT SECRETARY EDMOND POINTED OUT THAT OPIC HAS AGREED TO INSURE A SIZEABLE PORTION OF THE FACILITIES REQUIRED, THE ONSHORE ASSETS, BUT THAT OPIC HAS A FIRM WORLD-WIDE POLICY OF DECLINING TO INSURE AMERICAN ASSETS IN DISPUTED WATERS. HE SAID THAT THIS POLICY IS CONSISTENT WITH OUR ADVICE TO AMERICAN FIRMS AGAINST OPERATING IN DISPUTED WATERS ANYWHERE IN THE WORLD, WHICH ADVICE REMAINS UNCHANGED. INGERSOLL

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